

is one of the beneficial...or the tax treatment of the interest deduction is one of the beneficial reasons for owning a house as opposed to renting. In this particular proposal I take that concept and I take interest that they are now allowed to deduct, multimillion dollars of interest they are allowed to deduct, and I say you can't deduct it anymore. So I create the equivalent of a new tax and as I say it hits approximately the same people and raises approximately the same amount of money plus maybe a million or two additional. Senator Carsten and I have some other proposals which we may or may not offer at a later date but at a very minimum we should get this bill rolling so that we don't sink the state in another \$15 million deeper this year and next year. This would save the loss this year, impose the new tax, get us on an even keel here. Does that make any sense? Okay, I would ask the advancement of the bill.

PRESIDENT: Senator Vard Johnson. Previously, Senator Carsten's light was on. Do you want to speak on this?

SENATOR CARSTEN: Mr. President, I was literally going to say the same thing that Senator DeCamp did and I will just pass. Thank you.

PRESIDENT: Senator Newell. Senator Vard Johnson.

SENATOR V. JOHNSON: Mr. Speaker and members of the body, I think that this is a fairly complicated issue that I will attempt to muddy further. The reason that we have this bill in front of us is due to a decision reached by the United States Supreme Court earlier this year holding that states which exempt from consideration in the tax equation state and local bonds but include in the tax equation federal bonds are acting in a discriminatory manner. So because Nebraska has operated in that fashion, it has become painfully clear that Nebraska's system of taxing in this respect is unconstitutional. Now all LB 619 does is it eliminates the unconstitutional defect. However, to do that results in a loss of revenue of \$5.8 million annually. So what we have done is we have imposed a new tax. The new tax will not raise quite as much money, however, as the revenues lost. If you will look at your fiscal note, you will see that the new tax will raise \$5 million. So what will happen is under 619 as currently drafted, amended and is about to move, the actual loss will be \$800,000 a year. But that is better than what it was going to be because it was going to be \$5.8 million a year. So we have taken a silk purse and turned it into a sow's ear. At least we have reduced the level of the loss. Now what Senator